

Message Text

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PAGE 01 STATE 162966
ORIGIN OPIC-06

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DRAFTED BY OPIC/F JKCULMAN
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FM SECSTATE WASHDC
TO AMCONSUL GUAYAQUIL PRIORITY
INFO AMEMBASSY QUITO PRIORITY

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FROM OPIC

E.O. 11652: N/A

TAGS: EINV

SUBJECT: GALAPAGOS TOURS

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REF: GUAYAQUIL 1054

1. OPIC DECISION TO WITHDRAW ADDITIONAL FINANCIAL ASSISTANCE TO GALAPAGOS TOUR PROJECT WAS MADE ONLY AFTER EXTENSIVE FURTHER REVIEW WITHIN OPIC PRIOR TO GOING TO OPIC'S BOARD OF DIRECTORS FOR APPROVAL. DURING THIS REVIEW IT BECAME APPARENT THAT NOTWITHSTANDING OPIC'S INITIAL POSITIVE APPROACH TO COMPANY'S PROBLEMS THAT GALAPAGOS MANAGEMENT BOTH U.S. AND LOCAL LACKED THE INHERENT CAPABILITY OR DESIRE TO MEET OPIC'S REQUIREMENTS AS A BORROWER.

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2. OPIC DETAILED ITS CONDITIONS FOR ITS ADDITIONAL FINANCIAL SUPPORT IN A TELEX TO THE COMPANY. PONCE AND GORDON EVENTUALLY AND RELUCTANTLY ACCEPTED THESE CONDITIONS NOT AS THE BASIS OF A COURSE OF ACTION TO IMPROVE THE PROJECT BUT AS THE PRICE OF THE OPIC LOAN. AMONG THESE CONDITIONS WERE AUDITED FINANCIAL STATEMENTS. THE LAST STATEMENT FROM

YOUNG AND YOUNG WHICH CAN HARDLY BE CALLED AN AUDIT CONTAINS A TOTAL DISCLAIMER ON ITS VALIDITY. RECOGNIZING THAT THIS AND THE OTHER CONDITIONS WILL NOT BE MET OPIC BELIEVES IT BETTER NOT TO GET ANY FURTHER INVOLVED IN THE PROJECT

WHICH WOULD COMPOUND THE PROBLEM AT A LATER DATE.

3. IN DISCUSSIONS WITH OPIC REPS PONCE HAS INDICATED HE WANTED OPIC EITHER AS HIS BANKER OR HE WOULD MAKE OTHER ARRANGEMENTS. THIS ATTITUDE PROBABLY STEMS FROM HIS REALIZATION THAT THE PROJECT CAN BE PROFITABLE AND HE HAS OTHER FINANCIAL RESOURCES. OPIC HAS LEFT THE DOOR OPEN FOR OTHER FINANCING AND IS PREPARED TO COOPERATE WITH PONCE AND GORDON IN WORKING OUT A SOLUTION. THE SPONSORS HAVE NOT COME BACK TO OPIC WITH ANY PROPOSALS PROBABLY BECAUSE PONCE HAS BEEN IN ARGENTINA FOR THE SOCCER MATCHES.

4. OPIC DOES NOT BELIEVE IT DESIRABLE THAT BROOKS BROWNE WHO HAS NOT WORKED ON THE PROJECT HOLD FURTHER DISCUSSIONS WITH GORDON WHICH WOULD ONLY RAISE FALSE HOPES. HOWEVER, HE HAS BEEN INSTRUCTED TO GIVE THE EMBASSY AND CONSULATE ADDITIONAL BACKGROUND MATERIAL AND TO DISCUSS THE PROJECT WITH THEM.

DECONTROLLED FOLLOWING SEPT. 23, 1978. VANCE

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